

Arizona Legislature Enacts Helpful Changes to Contractor Licensing Laws

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By: [Gregory Harris](#)

Each applicant for a license with the Registrar of Contractors (ROC) must provide identifying information to the ROC relevant to the agency's exercise of discretion to grant the license. Under measures enacted during the 2018 session of the Arizona Legislature, the nature and scope of information has been revised, clarified and in part has eased the process for a license to be obtained. Legislation introduced by Sen. Karen Fann ([SB1375](#)) and Rep. Toma ([HB2550](#)), which Governor Ducey recently signed into law makes changes to the laws that should be welcomed by contractors.

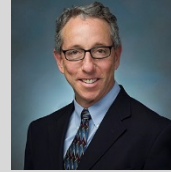
As a result of these law changes, the updated ROC statutes require that the contractor license applicant must specify the type of license sought and demonstrate that the applicant and its qualifying party have the necessary training and experience. The application process also requires the submission of information that identifies the applicant, including the names and addresses of the applicant, and if the application is an entity, information about the owners and leadership of the entity. Information likewise must be submitted about the work and regulatory experience of the applicant to obtain the license, including whether the individuals associated with the license has experience in the business or unresolved compliance issues with the agency. Key features of these new enactments include the following:

Prior Experience of the Qualifying Party

Under current law, the Registrar has the discretion to choose whether to waive the statutory work experience and examination requirements if a person is presently or has previously been a qualifying party for an Arizona license in the same classification within the 5-year period before the submission of the new application. Rep. Toma introduced HB2550 to eliminate this discretion. In its place, HB2550's amendment of section 32-1122 requires the Registrar to waive the work experience and education requirements for a qualifying party for an applicant who has been previously licensed in the same contracting classification within the 5-year time frame.

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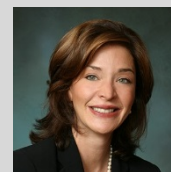
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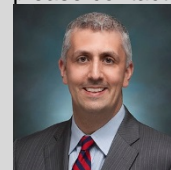
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Prior History of Individuals Named on the License

SB1375 creates a definition for what it means to be “named on a license.” In turn, this definition ties directly into the authority of the Registrar to refuse to issue a new license to a person which is or was named on a license which had a civil penalty entered against it and that remains unpaid. The new statute specifically permits the Registrar to refuse to issue a license to a new entity applying for a license if an individual named on the application for the new license was associated with a prior entity against which a civil penalty had been assessed if that civil penalty remains unpaid. SB1375 section 4, amending §32-1154(E) and (F).

Licensing of LLC’s

Current law does not specifically address the ability of the ROC to issue a contracting license to a limited liability company. Historically, the ROC statutes have addressed the requirements for corporations and partnerships or “other organizations” to become licensed. However, the laws have not specified the framework for an application to be submitted by an LLC, whether the applicant LLC was member managed, manager managed, or the reporting threshold for individuals identified as members or managers of the entity. SB1375 enacted changes to section 32-1122 that specifically detail the required contents of an application submitted by each type of limited liability company. For the first time, the law now specifies that when an LLC applies for a contracting license, the applicant must identify individuals who must be “named on the application.” The new law provides specifically that in the case of a manager managed LLC, the application must name all of the LLC’s managers. Likewise, the revisions to this statute provide that if the entity is member-managed, that all members must be named in the license application. In addition, regardless of whether member managed or manager managed, the law requires that in addition, all owners of 25% or more of the stock or beneficial interest in the LLC must be included in the application. Further, SB1375 also authorizes the Registrar to require previously licensed entities to identify members, managers and people who own more than 25% of the licensed entity.

Ownership Changes

Under present law, if a license is owned by an entity, and changes occur to the ownership of the entity, notice must be given to the Registrar if a transfer of more than 50% of stock or beneficial interest in the company takes place. SB1375 changes the threshold. When the law becomes effective, the revised reporting trigger mandates immediate notice to the ROC of “any transfer of ownership of twenty-five percent or more of the stock or beneficial interest in the company.” See A.R.S. §32-1151.01 (as revised by SB1375).

Notification to Registrar of Changes

In addition to the immediate notice required for ownership changes addressed in the previous section, an amendment to Section 32-1122 establishes a duty to notify the Registrar of any change of information required by that statute within 30 days after the change occurs. For instance, the statute requires that the officers and directors and qualifying party of the entity be identified. In addition, the contractor must also provide the Registrar with the address or location of the applicant’s place of business and the mailing address for the entity. See A.R.S. §32-1122(B)(4) (as enacted by SB1375).

Both SB1375 and HB2550 have general effective dates and become effective on August 3, 2018, 90 days after the end of the legislative session.

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